

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6836

BILL NUMBER: HB 1440

NOTE PREPARED: Jan 11, 2007

BILL AMENDED:

SUBJECT: Hoosier Business Investment Tax Credit.

FIRST AUTHOR: Rep. Harris T

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State

Summary of Legislation: The bill repeals the December 31, 2011, expiration date for the Hoosier Business Investment Tax Credit.

Effective Date: July 1, 2007.

Explanation of State Revenues: The bill eliminates the sunset date for the Hoosier Business Investment (HBI) Tax Credit. Under current statute, the HBI Tax Credit expires on December 31, 2011. This would allow the Indiana Economic Development Corporation (IEDC) to award new tax credits for qualified investment occurring in 2012 and after. The potential amount of new credits that might be certified by the IEDC beginning in 2012 is indeterminable. A total of \$331.7 M in new credits was awarded in 2004 (the first year of the HBI Tax Credit), and \$152.8 M in new credits was awarded in 2005.

Background Information: Under current statute, the IEDC Board is authorized to award the nonrefundable HBI Tax Credit for expenditures on qualified investment determined to foster job creation and higher wages in Indiana. The maximum credit that the IEDC may award is 10% of the qualified investment. A taxpayer may claim the credit against the Adjusted Gross Income (AGI) Tax, Insurance Premiums Tax, or Financial Institutions Tax liability. (Note: The maximum allowable credit was 30% of qualified investment if approved before May 15, 2005. However, these credits may be claimed only against the growth in the taxpayer's tax liability over a specified base year tax liability.) The IEDC is currently authorized to award the HBI Tax Credit for qualified investment made before January 1, 2012. (Note: The expiration date was extended from December 31, 2007, to December 31, 2011, under P. L. 137-2006.) The credit is nonrefundable and may not be carried back. Unused tax credits may be carried over for up to nine years after the year in which the investment is made, unless a shorter carryover period is stipulated by the IEDC Board.

Approximately \$331.7 M in new credits under the 30% credit program was awarded in 2004, the first year the HBI Tax Credit. In 2005, approximately \$137.8 M in new credits was awarded under the 30% credit program, and approximately \$15.0 M in new credits was awarded under the current 10% credit program. Also, in 2005, the IEDC certified approximately \$55.3 M in credits already awarded under the 30% credit program, signifying that the taxpayer had made the agreed upon qualified investment and could claim the certified amount of credits against the taxpayer's tax liability growth. No credits awarded under the 10% credit program were certified in 2005.

Revenue from the AGI Tax on corporations, the Financial Institutions Tax, and the Insurance Premiums Tax is distributed to the state General Fund. Eighty-six percent of the revenue from the AGI Tax on individuals is deposited in the state General Fund, and 14% of the revenue is deposited in the Property Tax Replacement Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Economic Development Corporation; Department of State Revenue.

Local Agencies Affected:

Information Sources: *Hoosier Business Investment Tax Credit Project Status Report, 2004 and 2005*, Indiana Economic Development Corporation.

Fiscal Analyst: Jim Landers, 317-232-9869.